

PERAC PENSION NEWSFLASH

June 30, 2004 | Commonwealth of Massachusetts | Public Employee Retirement Administration Commission

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PERAC Pension Reforms Enacted into Law

Four PERAC-Proposed Pension Reforms Included in FY '05 Budget

Governor Romney has signed the Commonwealth of Massachusetts Fiscal Year 2005 Budget into law. Four major Public Employee Retirement Administration Commission (PERAC) proposed initiatives are included in 16 separate Outside Sections.

PERAC Executive Director, Joseph E. Connarton, commented on the legislation,

“We are very pleased that the General Court passed and Governor Romney signed four major PERAC proposed pension reforms into law. These policy reforms are embodied in 16 separate Outside Sections of the budget and provide necessary changes to upgrade and update the Commonwealth’s pension law. The Commission sincerely appreciates the Governor’s support and that of the General Court for these important changes. In particular, we wish to thank Senate President Robert E. Travaglini, Speaker of the House Thomas M. Finneran, Senate Ways and Means Chair Therese Murray, House Ways and Means Chair, John H. Rogers and Senate Chairman Steven A. Tolman and House Chairman Robert M. Koczera of the Joint Committee on Public Service for ushering these reforms through the Legislature. Without all of their efforts, these reforms would not have been possible.”

IMPORTANT ADMINISTRATIVE NOTE:

PERAC will issue a Memorandum to Retirement Boards soon to alert them to these and other changes in the law that become effective on July 1, 2004. (There are several in addition to those that PERAC proposed or supported). PERAC is committed to assisting the systems in implementing the changes. Legal staff will be available to provide consultation to any system on questions concerning implementation of the statutory changes.



PERAC-Proposed Outside Sections

Section 15 Notifications

SECTION 63. Section 59 of chapter 30, as so appearing, is hereby amended by inserting after the word “him”, in line 26, the following words: -

, subject to the provisions of section 15 of chapter 32. The employer of any person so suspended shall immediately notify the retirement system of which the person is a member of the suspension and shall notify the retirement board of the outcome of any charges brought against the individual.

Summary: This section requires the employer (Commonwealth) to notify the retirement board of a suspension of a person under indictment and of the outcome of the incident. The purpose is to assist the retirement boards in implementing G.L. c. 32, Section 15.

SECTION 79. Section 15 of said chapter 32, as so appearing, is hereby amended by adding the following subsection: -

(5) If the attorney general or any district attorney becomes aware of a final conviction of a member of a retirement system under circumstances which may require forfeiture of said member’s rights to a pension, retirement allowance, or a return of his accumulated total deductions pursuant to this chapter, sections 58 or 59 of chapter 30 or section 25 of chapter 258A, he shall immediately notify the commission of such conviction.

Summary: This section requires the Attorney General or any District Attorney to notify PERAC of a conviction of a person whose retirement allowance or annuity account could be impacted pursuant to G.L. c. 32, G.L. c. 30, Sections 58 or 59 or G.L. 268A, Section 25. The purpose is to assist the retirement boards in implementing G.L. c. 32, Section 15.

SECTION 210. Section 25 of chapter 268A of the General Laws, as appearing in the 2002 Official Edition, is hereby amended by inserting after the word “him”, in line 28, the following words: - , subject to section 15 of chapter 32. The employer of a person so suspended shall immediately notify the retirement system of which the person is a member of the suspension and shall notify the Retirement board of the outcome of any charges brought against the individual.

Summary: This section requires the municipal employer to notify the retirement board of a suspension of a person under indictment and of the outcome of the indictment. The purpose is to assist the retirement boards in implementing G.L. c. 32, Section 15.

Survivor Age – Enrolled in Educational Institutions

SECTION 71. Section 7 of said chapter 32, as so appearing, is hereby amended by striking out the word “eighteen”, in line 88, and inserting in place thereof the following words: - 18, or, if over said age and under age 22, is a full-time student at an accredited educational institution,.

Summary: This section, along with Sections 72, 73, 74, 75, 76, 83, 84, and 87 brings consistency to the ages for eligibility for various dependents’ benefits.

SECTION 72. Said section 7 of said chapter 32, as so appearing, is hereby further amended by striking out the word “twenty-one”, in line 97 and inserting in place thereof the figure: - 22.

SECTION 73. Section 9 of said chapter 32, as so appearing, is hereby amended by striking out the word “eighteen”, in line 55, and inserting in place thereof the following: - 18, or are over said age and under age 22 and full-time students at accredited educational institutions,.

SECTION 74. Said section 9 of said chapter 32, as so appearing, is hereby further amended by striking out the word “eighteen”, in line 60, and inserting in place thereof the following: - 18, or is over said age and under age 22 and is a full-time student at an accredited educational institution,.

SECTION 75. Said section 9 of said chapter 32, as so appearing, is hereby further amended in paragraph (c) of subdivision (2) by inserting at the end of said paragraph (c) the following new sentences: -

The words “full-time student” shall mean a child who is in full-time attendance in an accredited educational institution offering full-time courses of study equivalent to or higher than secondary school study. The words “accredited educational institution” shall mean any school, college, or university that is licensed, approved or accredited, as the case may be, in the state in which it is located.

SECTION 76. Said section 9 of said chapter 32, as so appearing, is hereby further amended by striking out the word “twenty-one”, in each of lines 73 and 79, and inserting in each place thereof the figure: - 22.

SECTION 78. Section 12B of said chapter 32, as so appearing, is hereby amended by striking out the word “twenty-one”, in lines 36 and 37, and inserting in place thereof the figure: - 22.

SECTION 83. Section 26 of said chapter 32 of the General Laws, as appearing in the 2002 Official Edition, is hereby amended by striking out the word “eighteen”, in line 51, and inserting in place thereof the following:- 18, or, if over said age and under age 22, who is a full-time student at an accredited educational institution,.

SECTION 84. Said section 26 of said chapter 32, as so appearing, is hereby further amended by striking out the word “twenty-one”, in line 57, and inserting in place thereof the figure:- 22.

SECTION 87. Section 100 of said chapter 32, as so appearing, is hereby amended by striking out the word “twenty-one”, in line 32, and inserting in place thereof the figure: - 22.

Death Benefits

SECTION 77. Subdivision (1) of section 12 of chapter 32 of the General Laws, is hereby amended by striking out the second sentence, as amended by section 17 of chapter 306 of the Acts of 1996, and inserting in place thereof the following sentence:- Any member who is retired for disability under the provisions of section six, section seven or who is retired under the provisions of subdivision (2) of section twenty-six, may elect to have his allowance paid in accordance with the terms of option (a), option (b), or option (c), provided, however, that, in the event that the surviving eligible beneficiary of said member, under said option (c), is eligible for a benefit under section nine, said beneficiary shall elect to receive either a benefit pursuant to option (c) or a benefit pursuant to said section nine, but in no event shall said beneficiary be eligible for both benefits.

Summary: This section will eliminate the possibility that a single beneficiary could receive two benefits (the Option C survivor benefit and the death benefit provided for in G.L. c. 32, Section 9) as the result of the death of a member. This section would require the Option C beneficiary who is also eligible for the Section 9 benefit to select one benefit. If the Option C beneficiary and the eligible Section 9 beneficiary are different persons, two benefits would be paid. The possibility of the same person receiving two benefits will remain for those persons who were named as Option C beneficiaries between November 7, 1997 and the effective date of this provision.

91A Termination of Benefits on Non-Compliance

SECTION 85. Section 91A of Chapter 32 of the General Laws is hereby amended by striking the words “cease and shall in no event be reinstated” as they appear in lines 14 and 15 of the 2002 Official Edition and inserting in place thereof the word “terminate”.

Summary: This section (along with Section 86) amends G.L. c. 32, Section 91A so that the allowance of a disability retiree who does not file the annual statement required by the section could be terminated for the period of non-compliance. Written notice to the member and an opportunity to be heard by the appropriate retirement board is required before the allowance is actually terminated.

SECTION 86. Said section 91A of said chapter 32 of the General Laws, as so appearing, is hereby further amended by adding the following new sentence: -

A member shall not be entitled to recover a retirement allowance for any period during which the member's rights in and to his retirement allowance were terminated for failure to submit a statement to the commission under this section. After written notice and opportunity to be heard by the board, termination of a member's rights in and to a retirement allowance for failure to submit a statement to the commission shall be considered by the board to be effective as of the date that such statement was due to be submitted to the board. If a retirement allowance was paid to a member for any period during which such member's rights in and to a retirement allowance were terminated for failure to submit a statement to the commission, such member shall refund the portion of his retirement allowance attributable to such period.

Note: The language in this section differs from the PERAC proposed language, yet accomplishes the objective of the PERAC proposed item.

Additional Outside Sections Supported by PERAC that Passed into Law

Definition of Actuarial Equivalent

SECTION 67. Said section 1 of said chapter 32, as so appearing, is hereby further amended by striking the definition of "Actuarial equivalent" and inserting in place thereof the following definition: -

"Actuarial equivalent", any benefit of equal value when computed upon the basis of a mortality table to be selected by the actuary and an interest rate determined by the actuary.

Summary: This section amends the definition of "actuarial equivalent" to allow the PERAC Actuary to adopt a mortality table and an interest rate. Section 336 requires the Actuary to adopt the mortality table within 180 days of the effective date of the act.

Mortality Table and Interest Rate

SECTION 336. Notwithstanding the provisions of any general or special law to the contrary, the public employee retirement administration commission shall review the current combined table of mortality and select a new table of mortality within 180 days of the effective date of this act.

Summary: Section 67 amends the definition of "actuarial equivalent" to allow the PERAC Actuary to adopt a mortality table and an interest rate. This section requires the Actuary to adopt a mortality table within 180 days of the effective date of the act.

Purchase of Property by Retirement Boards for Their Administrative Offices

Note: The Commission has supported the following Section 325 in concept but not specifically.

SECTION 325. Notwithstanding any general or special law to the contrary, the Plymouth Retirement Board may, in accordance with guidelines established by the Public Employee Retirement Administration Commission, purchase the real property located at 89 Court Street, Plymouth, Massachusetts for the purpose of the use of the property for the administrative office of the Plymouth Retirement Board, and may purchase or lease equipment and employ any such personnel necessary for the proper administration and transaction of business of the retirement system.

Notwithstanding any general or special law to the contrary, the Salem Retirement Board may, in accordance with guidelines established by the Public Employee Retirement Administration Commission, purchase the real property located at 20 Central Street, Suite 110, Salem, Massachusetts for the purpose of the use of the property for the administrative office of the Salem Retirement Board and may purchase or lease equipment and employ any such personnel necessary for the proper administration and transaction of business of the retirement system.

Summary: This section will allow the Plymouth Retirement Board and the Salem Retirement Board to purchase specified real property to use as their administrative offices. However, the Commission has not reviewed this particular provision and does not take a position with respect to it.